LOAN AGREEMENT BETWEEN KARTA AND HUF

This **LOAN AGREEMENT** (the "Agreement") is executed at **[City/Location]** on this **[Day]** day of **[Month]**, **2026**.

BY AND BETWEEN:

[Name of the Karta], son of [Father's Name], residing at [Residential Address], hereinafter referred to as the **"LENDER"** (which expression shall, unless repugnant to the context or meaning thereof, include his heirs, executors, administrators, and legal representatives) of the **FIRST PART**;

AND

[Name of the HUF] (HUF), a Hindu Undivided Family registered under the Income Tax Act having its **PAN: [HUF PAN Number]** and place of assessment at [Address of HUF], represented by its *Karta* **[Name of the Karta]**, hereinafter referred to as the **"BORROWER"** (which expression shall, unless repugnant to the context or meaning thereof, include all the coparceners, members, and successors of the said HUF) of the **SECOND PART**.

WHEREAS:

- The Borrower is a valid **Hindu Undivided Family (HUF)** governed by Hindu Law and recognized as a distinct assessable entity under Section 2(31) of the **Income Tax Act, 2025**.
- The Lender is the **Karta** of the Borrower HUF and possesses independent, personal self-acquired funds out of his separate sources of income, and have not been sourced, obtained, or leveraged by borrowing from any bank, private financial institution, or external third party on interest or otherwise.
- The Borrower HUF requires funds for business purposes/family investments and has requested the Lender to provide a temporary, unsecured financial accommodation.
- The Lender has agreed to advance an interest-free loan to the Borrower HUF from his personal bank account via banking channels.

NOW, THEREFORE, IT IS MUTUALLY AGREED BY AND BETWEEN THE PARTIES AS FOLLOWS:

1. PRINCIPAL LOAN AMOUNT & ANNUAL BORROWING LIMIT

- The Lender hereby agrees to advance to the Borrower, and the Borrower agrees to accept, a principal loan via electronic bank transfer/Account Payee Cheque.
- Both parties explicitly agree that the aggregate amount borrowed by the Borrower HUF from the Lender or any other source under this structural mechanism **shall not exceed ₹1,00,00,000 (Rupees One Crore only) within a single Financial Year**.

2. NATURE OF THE TRANSACTION & ZERO INTEREST

- This transaction is strictly a **genuine, repayable debt arrangement (Loan)** and under no circumstances shall be construed as a gift, settlement, partition, or permanent blending of separate property into the joint family hotchpotch under Hindu Law.

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- The loan is advanced on an **interest-free basis (0% per annum)** based on mutual affection and familial understanding. No interest shall accrue or be payable on the principal sum during the tenure of this loan.

3. NON-APPLICABILITY OF INCOME CLUBBING PROVISIONS

- Since this advancement is a repayable loan and **not a transfer of property/asset without adequate consideration**, the clubbing provisions enshrined under **Section 99(2) of the Income Tax Act, 2025** (historically Section 64(2) of the 1961 Act) **shall not apply**.
- Any income, returns, profits, or capital gains generated by the Borrower HUF through the investment or deployment of this loan amount shall belong solely and exclusively to the HUF. Such income shall be assessed independently in the HUF's Income Tax Return and **shall not be clubbed** with the personal taxable income of the Lender (*Karta*).

4. REPAYMENT & LENDER'S RIGHT TO RECALL

- The loan amount is unsecured and does not have a fixed maturity period.
- The **Lender reserves the absolute right to recall the entire outstanding loan amount**, or any portion thereof, at any given time based on his personal requirements and financial needs.
- Upon receipt of an explicit verbal or written demand/recall notice from the Lender, the Borrower HUF shall repay the demanded sum within a mutually agreeable transition window not exceeding **[e.g., 30/60] days** through legitimate banking channels.

5. COVENANTS AND RECOVERY

- The Borrower HUF binds its entire joint family estate, existing coparcenary corpus, and future assets towards the complete repayment and discharge of this loan liability.
- In the event of a partial or full partition of the Borrower HUF in the future, this outstanding loan liability shall be settled and paid back to the Lender from the family assets **prior to any asset distribution** among the coparceners/members.

6. AMENDMENTS & JURISDICTION

- No modification or amendment to this agreement shall be valid unless executed in writing by both parties.
- This agreement shall be governed by, interpreted, and enforced in accordance with the Laws of India, including the prevailing Hindu Succession Act and the Income Tax Act, 2025.

IN WITNESS WHEREOF, the Lender and the Borrower (represented by its *Karta*) have signed, sealed, and executed this Loan Agreement on the day, month, and year first written above.

(1) SIGNED AND DELIVERED BY THE LENDER:

[Name of the Karta]
(In personal capacity as Lender)

(2) SIGNED AND DELIVERED BY THE BORROWER:

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[Name of the HUF] (HUF)
Through its *Karta*: **[Name of the Karta]**

IN THE PRESENCE OF WITNESSES:

1. **Witness 1:**
   Signature: _____
   Name:
   Address:

2. **Witness 2:**
   Signature: _____
   Name:
   Address:

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